



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 12, 1998

### **H.R. 3616** **National Defense Authorization Act for Fiscal Year 1999**

*As ordered reported by the House Committee on National Security on May 6, 1998*

#### **SUMMARY**

H.R. 3616 would authorize appropriations for 1999 for the military functions of the Department of Defense (DoD) and the Department of Energy (DOE). It also would prescribe personnel strengths for each active duty and selected reserve component of the U.S. armed forces. Assuming appropriation of the authorized amounts for 1999, CBO estimates that enacting H.R. 3616 would result in additional discretionary spending from 1999 appropriations of \$266 billion over the 1999-2003 period. In addition, the bill contains provisions that would lower the costs of discretionary defense programs over the 2000-2003 period by about \$7.3 billion.

The bill contains provisions that would affect direct spending through land conveyances, the sale of vessels, changes to military retirement and survivor benefit programs, and other provisions. CBO does not have enough information to estimate the budgetary impact of certain land conveyances. We estimate that the direct spending from other provisions of H.R. 3616 would be less than \$500,000 annually or would be offset by the proceeds from asset sales. Because it would affect direct spending, the bill would be subject to pay-as-you-go procedures.

H.R. 3616 would require some airlines to extend federal government rates to reservists traveling to and from their inactive duty stations. This requirement may be a private-sector mandate as defined by the Unfunded Mandates Reform Act of 1995 (UMRA). However, the cost of this provision would be small, and well below the threshold established by UMRA. UMRA excludes from application of that act legislative provisions that are necessary for the national security. CBO has determined that all other provisions in H.R. 3616 either fit within this exclusion or do not contain intergovernmental mandates as defined by UMRA.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3616 is shown in Table 1, assuming that the bill will be enacted by October 1, 1998.

TABLE 1. BUDGETARY IMPACT OF H.R. 3616 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON NATIONAL SECURITY (By fiscal year, in millions of dollars)

|  | 1998    | 1999    | 2000   | 2001   | 2002   | 2003  |
|--|---------|---------|--------|--------|--------|-------|
| <b>SPENDING SUBJECT TO APPROPRIATION ACTION</b>    |         |         |        |        |        |       |
| Spending Under Current Law<br>for Defense Programs |         |         |        |        |        |       |
| Budget Authority <sup>a</sup>                      | 270,854 | 0       | 0      | 0      | 0      | 0     |
| Estimated Outlays                                  | 269,125 | 91,079  | 33,955 | 15,117 | 6,586  | 3,047 |
| Proposed Changes                                   |         |         |        |        |        |       |
| Authorization Level                                | 0       | 270,837 | 0      | 0      | 0      | 0     |
| Estimated Outlays                                  | 0       | 179,344 | 53,817 | 20,319 | 8,980  | 3,547 |
| Spending Under H.R. 3616<br>for Defense Programs   |         |         |        |        |        |       |
| Authorization Level <sup>a</sup>                   | 270,854 | 270,837 | 0      | 0      | 0      | 0     |
| Estimated Outlays                                  | 269,125 | 270,423 | 87,772 | 35,436 | 15,566 | 6,594 |
| <b>DIRECT SPENDING</b>                             |         |         |        |        |        |       |
| Estimated Budget Authority                         | 0       | b       | b      | b      | b      | b     |
| Estimated Outlays                                  | 0       | b       | b      | b      | b      | b     |
| <b>ASSET SALES<sup>c</sup></b>                     |         |         |        |        |        |       |
| Estimated Budget Authority                         | 0       | d       | d      | d      | d      | d     |
| Estimated Outlays                                  | 0       | d       | d      | d      | d      | d     |

NOTE: Costs of the bill would fall under budget function 050 (national defense), except for certain items noted in the text.

- a. The 1998 level is the amount appropriated for programs authorized by the bill.
- b. CBO does not have enough information to estimate the budgetary impact of certain land conveyances in H.R. 3616. Direct spending under other provisions of the bill is either less than \$500,000 annually or is limited to the proceeds from asset sales.
- c. Under the Balanced Budget Act of 1997, proceeds from a nonroutine asset sale may be counted for purposes of pay-as-you-go scorekeeping only if the sale would entail no net financial cost to the government.
- d. CBO does not have enough information to estimate the budgetary impact of the asset sales that would be authorized by H.R. 3616.

## Authorizations of Appropriations

The bill would authorize specific appropriations totaling \$271 billion in 1999 for military programs in DoD and DOE (see Table 2). These costs would fall within budget function 050 (national defense). The estimate assumes that the amounts authorized will be appropriated for 1999. Outlays are estimated based on historical spending patterns. In addition, H.R. 3616 would authorize specific appropriations for other budget functions:

TABLE 2. SPECIFIC AUTHORIZATIONS IN THE NATIONAL DEFENSE AUTHORIZATION ACT, 1999, AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON NATIONAL SECURITY  
(By fiscal year, in millions of dollars)

| Category                                       | 1999    | 2000   | 2001   | 2002  | 2003  |
|--|---------|--------|--------|-------|-------|
| Military Personnel                             |         |        |        |       |       |
| Authorization Level                            | 70,697  | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 66,720  | 3,464  | 212    | 71    | 0     |
| Operation and Maintenance                      |         |        |        |       |       |
| Authorization Level                            | 92,880  | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 70,274  | 17,195 | 3,027  | 1,068 | 436   |
| Procurement                                    |         |        |        |       |       |
| Authorization Level                            | 49,052  | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 11,551  | 13,845 | 12,264 | 6,317 | 2,544 |
| Research, Development, Test,<br>and Evaluation |         |        |        |       |       |
| Authorization Level                            | 36,228  | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 18,909  | 13,274 | 2,705  | 689   | 236   |
| Military Construction and Family<br>Housing    |         |        |        |       |       |
| Authorization Level                            | 8,228   | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 2,614   | 2,508  | 1,493  | 786   | 254   |
| Atomic Energy Defense Activities               |         |        |        |       |       |
| Authorization Level                            | 11,897  | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 7,860   | 3,245  | 621    | 57    | 57    |
| Other Accounts                                 |         |        |        |       |       |
| Authorization Level                            | 1,786   | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 1,075   | 339    | 117    | 52    | 40    |
| General Transfer Authority                     |         |        |        |       |       |
| Authorization Level                            | 0       | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 280     | -60    | -120   | -60   | -20   |
| Total  |         |        |        |       |       |
| Authorization Level                            | 270,768 | 0      | 0      | 0     | 0     |
| Estimated Outlays                              | 179,282 | 53,810 | 20,319 | 8,980 | 3,547 |

- o \$23 million for the Naval Petroleum Reserve (function 270).
- o \$91 million for the Maritime Administration (function 400).
- o \$71 million for the Armed Forces Retirement Home (function 700).

The bill also contains provisions that would affect various costs, mostly for personnel, that would be covered by the fiscal year 1999 authorization and by authorizations in future years. Table 3 contains estimates of these amounts. In addition to the costs covered by the 1999 authorizations in the bill, these provisions would lower estimated costs by \$7.3 billion over the 2000-2003 period. The following sections describe the estimated authorizations shown in Table 3 and provide information about CBO's cost estimates.

**Endstrength.** The bill would authorize active and reserve endstrengths for 1999 and would lower the minimum endstrength authorization under permanent law. The authorized endstrengths for active-duty personnel and personnel in the Selected Reserve would total 1,406,720 and 878,094, respectively. The bill would specifically authorize appropriations of \$70.7 billion for military pay and allowances in 1999. Current law sets the minimum endstrength for active-duty personnel at 1,431,379, but the bill would lower that figure for future years to the level it would authorize for 1999, thus reducing future personnel costs by about \$1.1 billion annually.

Also the bill would authorize an endstrength of 8,000 in 1999 for the Coast Guard Reserve. This authorization would cost about \$69 million and would fall under budget function 400, transportation.

*Grade Structure.* Section 414 would change the grade structure of active duty personnel in support of the reserves. This change would not increase the overall endstrength, but would result in more promotions. The provision would cost about \$2 million a year.

**Compensation and Benefits.** H.R. 3616 contains several provisions that would affect military compensation and benefits.

*Pay Raises.* Section 601 would raise basic pay by 3.6 percent or \$1.3 billion in 1999. Because this pay raise would be 0.5 percent above current law, CBO estimates that the incremental costs would be \$186 million in 1999 and over \$200 million annually in subsequent years.

*Expiring Bonuses and Allowances.* Several sections would extend for one year DoD's authority to pay certain bonuses and allowances to current personnel. The authorities are scheduled to expire at the end of 1999, but in some cases renewing authorities for one year results in costs over several years because payments are made in installments. CBO estimates that payment of enlistment and reenlistment bonuses for active duty personnel would cost \$174 million in 2000. The cost of extending special payments for aviators and nuclear-qualified personnel would be \$90 million in 2000. Payment authorities for various

TABLE 3. ESTIMATED AUTHORIZATIONS OF APPROPRIATIONS FOR SELECTED PROVISIONS IN H.R. 3616  
AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON NATIONAL SECURITY  
(By fiscal year, in millions of dollars)

| Category                                 | 1999   | 2000   | 2001   | 2002   | 2003   |
|--|--------|--------|--------|--------|--------|
| Endstrengths                             |        |        |        |        |        |
| Department of Defense                    |        |        |        |        |        |
| Estimated Authorization Level            | -1,030 | -1,065 | -1,105 | -1,140 | -1,177 |
| Estimated Outlays                        | -972   | -1,056 | -1,098 | -1,135 | -1,171 |
| Coast Guard Reserve                      |        |        |        |        |        |
| Estimated Authorization Level            | 69     | 0      | 0      | 0      | 0      |
| Estimated Outlays                        | 62     | 7      | 0      | 0      | 0      |
| Grade Structure                          |        |        |        |        |        |
| Estimated Authorization Level            | 2      | 2      | 2      | 2      | 2      |
| Estimated Outlays                        | 2      | 2      | 2      | 2      | 2      |
| Compensation and Benefits (DoD)          |        |        |        |        |        |
| Military Pay Raise in 1999               |        |        |        |        |        |
| Estimated Authorization Level            | 186    | 248    | 254    | 261    | 269    |
| Estimated Outlays                        | 177    | 244    | 254    | 261    | 269    |
| Expiring Bonuses and Allowances          |        |        |        |        |        |
| Enlistment/reenlistment Bonuses (Active) |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 174    | 53     | 49     | 35     |
| Estimated Outlays                        | 0      | 165    | 59     | 49     | 36     |
| Aviation and Nuclear Special Pay         |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 90     | 34     | 34     | 26     |
| Estimated Outlays                        | 0      | 86     | 36     | 34     | 27     |
| Various Bonuses (Reserve)                |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 55     | 45     | 30     | 22     |
| Estimated Outlays                        | 0      | 52     | 46     | 31     | 22     |
| Special Pay for Nurses                   |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 10     | 0      | 0      | 0      |
| Estimated Outlays                        | 0      | 9      | 1      | 0      | 0      |
| Honor Guard Details                      |        |        |        |        |        |
| Estimated Authorization Level            | 320    | 330    | 339    | 350    | 360    |
| Estimated Outlays                        | 304    | 329    | 339    | 350    | 360    |
| Voluntary Separation/Early Retirement    |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 160    | 0      | 0      | 0      |
| Estimated Outlays                        | 0      | 155    | 5      | 0      | 0      |
| Benefits for Involuntary Separations     |        |        |        |        |        |
| Estimated Authorization Level            | 0      | 40     | 0      | 0      | 0      |
| Estimated Outlays                        | 0      | 38     | 2      | 0      | 0      |

(Continued)

TABLE 3. CONTINUED

| Category                                   | 1999 | 2000 | 2001   | 2002   | 2003   |
|--|------|------|--------|--------|--------|
| Recruiting Incentives                      |      |      |        |        |        |
| Estimated Authorization Level              | 4    | 24   | 24     | 24     | 24     |
| Estimated Outlays                          | 4    | 24   | 24     | 24     | 24     |
| Changes in Reenlistment Bonuses            |      |      |        |        |        |
| Estimated Authorization Level              | 10   | 10   | 10     | 10     | 10     |
| Estimated Outlays                          | 10   | 10   | 10     | 10     | 10     |
| Education Loan Repayment                   |      |      |        |        |        |
| Estimated Authorization Level              | 5    | 5    | 5      | 5      | 5      |
| Estimated Outlays                          | 5    | 5    | 5      | 5      | 5      |
| Reserve Hostile Fire Pay                   |      |      |        |        |        |
| Estimated Authorization Level              | 3    | 3    | 3      | 3      | 3      |
| Estimated Outlays                          | 3    | 3    | 3      | 3      | 3      |
| Reimbursement for Car Rental               |      |      |        |        |        |
| Estimated Authorization Level              | 2    | 2    | 2      | 2      | 2      |
| Estimated Outlays                          | 2    | 2    | 2      | 2      | 2      |
| Reduction in Acquisition Workforce         |      |      |        |        |        |
| Estimated Authorization Level              | -19  | -672 | -1,467 | -2,074 | -2,192 |
| Estimated Outlays                          | -18  | -653 | -1,443 | -2,056 | -2,189 |
| Dependents' Dental Premiums                |      |      |        |        |        |
| Estimated Authorization Level              | a    | -1   | -2     | -3     | -4     |
| Estimated Outlays                          | a    | -1   | -2     | -3     | -4     |
| Long-Term Charter of a Naval Vessel        |      |      |        |        |        |
| Estimated Authorization Level              | 30   | 16   | 0      | 0      | 0      |
| Estimated Outlays                          | 4    | 10   | 11     | 10     | 11     |
| Worker and Community Transition Assistance |      |      |        |        |        |
| Estimated Authorization Level              | 0    | 0    | -20    | 0      | 0      |
| Estimated Outlays                          | 0    | 0    | -13    | -6     | -1     |
| Separate Housing                           |      |      |        |        |        |
| Estimated Authorization Level              | 0    | 100  | 100    | 0      | 0      |
| Estimated Outlays                          | 0    | 17   | 52     | 62     | 40     |
| Total Authorization of Appropriations      |      |      |        |        |        |
| Estimated Authorization Level              | -418 | -469 | -1,723 | -2,447 | -2,615 |
| Estimated Outlays                          | -418 | -552 | -1,706 | -2,356 | -2,554 |

NOTES: For every item in this table except one, the 1999 impacts are included in the amounts specifically authorized to be appropriated in the bill. Those amounts are shown in Table 2. Only the authorization of endstrength for the Coast Guard Reserve is additive to the amounts in Table 2.

This table does not include the costs of section 712, which would require that certain dependents of active-duty personnel be automatically enrolled in Tricare Prime. CBO estimates that those costs would be less than \$5 million annually.

a. Less than \$500,000.

bonuses for the Selected and Ready Reserve would total \$55 million in 2000. We estimate that authorities to make special payments to nurse officer candidates, registered nurses, and nurse anesthetists would cost \$10 million in 2000.

*Honor Guard Details at Funerals of Veterans.* Section 558 would require the secretary of a military department to provide, upon request, an honor guard detail for the funeral of any veteran. Costs associated with this provision would include additional pay, transportation, and per diem expenses for those participating in the honor guard detail. CBO estimates that honor guards would be requested for about 250,000 services. Costs for sending guard details averaging five members would total about \$320 million in 1999 and increasing amounts in subsequent years.

*Voluntary Separation Benefits and Early Retirement.* Section 551 would extend for one year DoD's authority to separate personnel by paying voluntary separation benefits and offering early retirement. Because DoD has made relatively little use of the voluntary separation benefit in recent years, CBO estimates the cost of extending that authority would be less than \$10 million. However, recent experience indicates that early retirement incentives may be used more often. CBO estimates that DoD would spend about \$150 million in 2000 to cover the costs of extending an option to retire early.

*Benefits for Involuntary Separations.* Section 551 would also extend for one year transitional benefits for former military personnel who have left service involuntarily. These benefits include travel and transportation allowances, payments for storing household goods, and access to health care, commissaries and family housing. CBO estimates that costs for extending these benefits would total \$40 million in 2000.

*Recruiting Incentives.* Section 618 would increase the maximum enlistment bonus in the Army from \$4,000 to \$6,000 dollars for individuals who enlist for three years and score 50 or above on the Armed Forces Qualification Test. Based on current recruitment goals, CBO estimates that costs for enlistment bonuses would increase by \$4 million annually. In addition, the maximum benefit from each college fund would increase in 2000 from \$40,000 to \$50,000 under section 556, at an estimated cost to the military pay accounts of \$20 million a year.

*Changes in Reenlistment Bonus Eligibility.* The services extend reenlistment bonuses to personnel in specialties characterized by inadequate manning, low retention, and high replacement costs. The maximum bonus payment under current law is \$45,000, but no more than 10 percent of the bonuses can exceed \$20,000. Section 617 would remove the ten percent restriction and allow the services to extend large bonuses to more people. In addition, section 616 would allow the services to extend reenlistment bonuses to reserve members performing active guard and reserve duty. CBO estimates that extension of additional reenlistment bonuses would cost \$10 million a year.

*Caps on Education Loan Repayment.* The bill would increase the authorized caps on loans that DoD may repay for health professionals who serve in the Selected Reserve and who

have critical skills. The repayment caps would increase from \$3,000 per year and \$20,000 in total to \$10,000 and \$50,000, respectively. The provision would cost an estimated \$5 million a year.

*Additional Hostile Fire Pay for Reservists.* Section 619 would increase Hostile Fire Pay to a full month of coverage whenever reservists become eligible for payment. Under current law, reservists may collect the pay for only those days that they are assigned to dangerous duty. CBO estimates that section 619 would increase payments by about \$3 million annually.

*Reimbursement for Car Rental.* The bill would authorize DoD to reimburse service personnel for the cost of renting a car if DoD is shipping their vehicle and it fails to arrive on schedule. The provision would limit the reimbursement to \$30 a day for one week. CBO estimates the annual cost of the reimbursement to be \$2 million.

*Currency Fluctuations and Overseas Housing.* Under current law DoD advances housing allowances to certain military personnel overseas. The individual reimburses the department over a period of months and bears the risk of currency fluctuations. Section 602 would shift that burden to the department by requiring DoD to adjust the amount it deducts from a member's pay as reimbursement. Because currency fluctuations are extremely difficult to estimate, spending could be either higher or lower than the amounts authorized for overseas housing. Therefore, this estimate does not include costs associated with currency fluctuations.

**Reductions in Defense Acquisition Workforce.** The bill would limit the size of the acquisition workforce and would require a reduction of 70,000 personnel over a three-year period. Because the number of military personnel is determined by endstrength requirements, CBO assumes that the provision would mainly affect civilian employees and that about half of the reduction would occur under current law. We estimate that further reducing the acquisition workforce would save \$19 million in 1999 and over \$2 billion a year once the reduction is fully accomplished in 2002 and thereafter.

**Military Health Care Programs and Benefits.** Title VII contains several provisions affecting health care programs and benefits, although only a few would have a budgetary impact.

*Dependents' Dental Premiums.* Under current law, participating dependents of active-duty personnel must pay part of the total premium for dental care coverage, but the amount is capped at \$20 per month per family. Section 721 would allow DoD to adjust the participants' premium for inflation. Under the bill DoD would not have to pay an increasing share of the family premium. CBO estimates that this provision would reduce DoD's costs by a negligible amount in 1999 but that savings would increase by about \$1 million annually thereafter.



*Tricare Access Standards.* Section 722 would require DoD to collect data on beneficiaries' access to primary care and to measure the performance of other Tricare providers against the standards established for the Tricare Prime program. Currently, DoD collects some information on access through a survey of beneficiaries, but that survey is limited to beneficiaries who use military treatment facilities (MTFs) as part of Tricare Prime. CBO estimates that the cost of this provision would be insignificant if DoD could expand its current survey to satisfy this provision. However, the costs would be substantial if DoD interprets this provision to require a system for collecting information from all providers at each encounter (for example, an office visit) rather than through surveys.

*Automatic Enrollment and Reenrollment in Tricare Prime.* Under current law, if dependents of active-duty personnel want to join Tricare Prime, they must enroll each year. Enrollees can choose either military or civilian primary care providers or they may be assigned to civilian providers if an MTF reaches its enrollment capacity. Section 712 would provide that such individuals who live within 40 miles of an MTF, a so-called catchment area, be automatically enrolled in Tricare Prime at the MTF. They would remain enrolled at the MTF until they elected to disenroll or became ineligible for coverage.

CBO estimates that this provision would raise DoD's health care costs less than \$5 million a year. Costs would increase if automatic enrollment attracts beneficiaries who do not participate in DoD's health programs under current law. If all such beneficiaries were enrolled and began receiving care from the MTFs, then DoD's costs would increase by about \$90 million in 1999. Also, if automatic enrollment encourages current participants in Tricare Extra and Tricare Standard to get care from the MTFs instead, then DoD would incur more costs in the direct care system. However, only a small part of this population would be likely to change providers based solely on automatic enrollment, and because Tricare contractors would experience lower health costs from shifts to the MTFs, at least some of DoD's extra costs would be offset by adjustments to the price of the managed care contracts.

*Authority to Provide Tricare Coverage.* Under current law beneficiaries lose eligibility for Tricare once they are eligible for Medicare. The bill would allow DoD to extend Tricare eligibility through June 30, 1999, for certain beneficiaries who have become eligible for Medicare because of a disability but who have not enrolled in Medicare Part B. CBO estimates that DoD would spend about \$3 million in health care costs for these individuals, based on information from DoD on the number of affected beneficiaries. Information from DoD suggests that it has been willing to pay these expenses even though current law does not require it. Thus, assuming that DoD would continue to pay these costs under current law, this provision would have no net budgetary impact.

**Long-Term Charter of Naval Vessels.** Section 1015 would authorize the Secretary of the Navy to enter into long-term commitments to either lease newly built surface vessels or contract for services employing such vessels; in either case the contract may include an option for the Navy to purchase the vessel. Contracts under this section would have to be specifically authorized in subsequent legislation. Under current practices, a contract authorized under this section would probably be considered either a capital lease or a lease-

purchase arrangement. As a result, the subsequent authorization would be scored with a large amount of budget authority in the first year. If the arrangement is a lease-purchase, the budget would record all outlays in the first year for contracts on existing vessels and over the expected construction period for contracts to acquire new vessels.

Section 1013 would authorize the Secretary of the Navy to charter through 2003 three vessels in support of submarine rescue, escort, and towing. The charter would be a capital lease that would cost about \$46 million through 2003. Because two charters would begin in 1999 and the third would begin in 2000, the estimated authorization is counted in those two years. The estimate is based on information provided by the Navy and the owner of the vessels.

**Worker and Community Assistance.** Section 3151 would terminate after fiscal year 2000 the worker transition assistance program. This program assists employees of the Department of Energy (DOE) with the costs of relocating to other facilities and former employees of DOE with the costs of finding new employment. DOE projects that under current law, worker assistance programs would decrease over the next two years and be completely eliminated by the end of fiscal year 2001. Based on this information, CBO estimates that savings would total \$20 million in 2001. Savings would vary, however, depending on the extent of any restructuring of DOE and its use of the authority under current law.

Similarly, section 3151 would discontinue assistance to communities affected by restructuring DOE. CBO estimates that any savings from terminating DOE's community assistance programs would be offset by costs in other federal programs.

**Separate Housing During Basic Training.** The bill would require DoD to house male and female recruits in separate barracks during basic training. The cost of this provision would vary widely depending on whether new buildings are constructed or existing buildings are renovated. Information from the Navy, which conducts most of its training at one base, suggests one-time costs of \$1 million to \$2 million, assuming it can fulfill the requirement with slight modifications to existing structures. On the other hand, data from the Army and Air Force, which conduct basic training on many different bases, indicate costs of about \$150 million and \$50 million, respectively, because each may require construction of new barracks. To the extent that construction would be required, annual operating costs for those bases would marginally increase because of increased overhead and maintenance.

## **Direct Spending and Asset Sales**

H.R. 3616 contains several provisions that would affect direct spending and asset sales.

**Land Conveyances.** The bill contains several provisions that would convey land to nonfederal entities. In some cases the provisions would raise receipts of the federal government, but other provisions would lower them. CBO cannot estimate the aggregate budgetary impact because DoD has not assessed the market value of all the affected properties.

Section 2841 would grant an easement of 340 acres at Camp Pendleton Marine Corps Base, California to a local transportation agency for the construction of a freeway. The agency would pay the United States fair market value for the easement, thereby increasing receipts to the Treasury.

Section 2834 would authorize DoD to give about 300 acres to the town of New Windsor, New York. This property is excess to the needs of the Army and under current law all or part of it would probably be turned over to the General Services Administration (GSA) for disposal. Under GSA's procedures, properties can be sold to the public if other entities, including other federal agencies, do not acquire them, thus section 2834 could result in costs to the Treasury.

Section 2835 would sell about 5,000 acres to an Indiana Reuse Authority and section 2836 would convey about 1,000 acres to Hamilton County, Tennessee. In each case, payment would occur 10 years after the land was transferred. The delayed payment would represent loans by the United States under procedures established by the Federal Credit Reform Act of 1990. The budgetary impact would be the difference between the sale price and the subsidy cost. However, because DoD does not know the market value of the land, CBO cannot estimate the budgetary effects.

Sections 2835 and 2836 also would grant the Secretary of the Army authority to accept and spend reimbursements from local authorities for administrative expenses incurred during the conveyances. Because receipts and spending would offset each other, this authority would have no net budgetary impact.

Other sections would either authorize DoD to give or sell parcels of property that GSA might sell under its disposal procedures. CBO estimates that these sections would not have a significant budgetary impact.

**Naval Petroleum Reserve.** Title XXXIV would direct DOE to dispose of certain lots within the Naval Petroleum Reserve Number 2 (NPR-2) in California. DOE also would be authorized to dispose of other NPR properties after oil and gas operations have been abandoned. Based on information provided by DOE, CBO estimates that selling the specified lots within NPR-2 would increase receipts by about \$300,000 sometime in the next two to three years. Receipts from the disposal of other properties are not expected to be significant over the 1999-2003 period.

**Sale of Vessels.** Title XXXVI would authorize the Secretary of Transportation to sell three vessels in the National Defense Reserve Fleet at fair market value. The Secretary would deposit all proceeds from the sales as offsetting collections into the Vessel Operations Revolving Fund, from which they would be available to the Maritime Administration without further appropriation to acquire and maintain other ships. Under current law, these ships would likely be sold under the agency's scrapping program. The proceeds would be treated the same under current law as they would under this provision. But because vessels sold under the authority provided in this bill may bring in more money than those sold under the

existing program, additional offsetting collections could be slightly higher than under current law.

**Other Provisions.** The following provisions would have an insignificant budgetary impact:

- o Section 551 would extend the authority to require the retirement of certain senior officers who fail to receive promotions to the next higher grade.
- o Section 641 would require certain retirees to begin paying premiums under the Survivor Benefit Program the month following a court order.
- o Section 2812 would authorize the Secretary of Defense to accept donations of funds, property, or services in connection with the department's programs for public outdoor recreation at military sites. This provision would have no net budgetary effect because any new receipts would be offset by any new outlays.
- o Title XXXV would authorize the Panama Canal Commission (PCC) to solicit and accept donations of funds, property, and services from nonfederal sources for the purpose of carrying out promotional activities. This provision would have no net effect on direct spending because any new offsetting collections would be deposited into the PCC's revolving fund, from which they would be spent without further appropriation action.

## **PAY-AS-YOU-GO CONSIDERATIONS**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO does not have enough information to estimate the budgetary impact of certain land conveyances. CBO estimates that the direct spending from other provisions of H.R. 3616 is either less than \$500,000 annually or would be offset by the proceeds from asset sales.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

The Unfunded Mandates Reform Act of 1995 (UMRA) excludes from application of that act legislative provisions that are necessary for the national security. CBO has determined that the provisions in H.R. 3616 either fit within this exclusion or do not contain intergovernmental mandates as defined by UMRA.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

One provision of H.R. 3616 could impose a new private-sector mandate. Section 368 of title III would require airlines and other common carriers under contract with the General Services Administration to provide transportation at the contracted federal government rate

to reservists traveling to and from their inactive duty training station. To the extent that the contracted government rate is lower than available commercial rates, this provision would reduce carriers' revenues and income. About 700,000 reservists are required to participate in monthly drills and annual training. The annual cost of this provision would be well below the \$100 million threshold set by UMRA, since most reservists travel to their training bases by private automobile rather than by common carrier. Furthermore, once the General Services Administration renegotiates its service agreements with the carriers, this provision would become a standard condition of the contract that the carriers accept, and would therefore no longer constitute a private-sector mandate.

#### **ESTIMATE PREPARED BY:**

Federal Cost:

The estimates for defense programs were prepared by Valerie Barton (military retirement), Shawn Bishop (health programs), Kent Christensen (military construction and other defense), Jeannette Deshong (military and civilian personnel), Raymond Hall (procurement, RDT&E, stockpile sales, and atomic energy defense activities), and Dawn Sauter (operation and maintenance).

Kathy Gramp prepared the estimates for the Naval Petroleum Reserve, and Deborah Reis prepared the estimate for programs of the Maritime Administration and the Panama Canal Commission.

Impact on State, Local, and Tribal Governments: Leo Lex

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